



VILLAGE OF JACKSONVILLE, MISSOURI
YEAR ENDED JUNE 30, 2001

From The Office Of State Auditor
Claire McCaskill

Report No. 2002-34
May 7, 2002
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

May 2002

The following problems were discovered as a result of an audit conducted by our office of the Village of Jacksonville, Missouri.

The Village of Jacksonville was awarded federal assistance totaling approximately \$559,000 from the Department of Economic Development (DED) under the Community Development Block Grant (CDBG) program for the rehabilitation of houses and improvement of the village's street drainage system in August 1999. We noted that the village nor the grant administrating agency required invoices to be submitted to support payments to each contractor. Both the village and the grant administrating agency relied solely on the estimated cost sheets prepared by the contractor. In addition, the village paid additional costs totaling \$7,600 including approximately \$1,000 in additional inspection fees due to disputes concerning the quality of work performed on two of the house rehabilitation projects.

The Mayor of Jacksonville was paid \$500 on May 21, 2001 to serve as a drainage supervisor. The Board of Trustees indicated that the CDBG required a member of the board to perform the duties of a drainage supervisor; however, the grant administrating agency and the DED indicated that this was not required by the grant. This service was not bid and supporting documentation was not maintained to support this payment. This payment also represents a potential violation of state law. In addition, due to the above concerns the village should consider contacting the DED and obtaining a single audit.

The Board of Trustees issued temporary use permits for land owned by the village to both a citizen and a member of the board in September 2001. The Board of Trustees did not obtain a legal opinion to support their decision. These temporary use permits appear to violate the Missouri Constitution. In addition, the individuals are using the property in for-profit ventures and are paying no rent to the village nor did the village receive anything of value in exchange for the village's granting of the temporary use permit.

In December 2001, the village purchased seven and a half acres of railroad property for \$5,000 to be used by the village for park activities. The village also incurred \$1,200 for a survey and \$2,277 in attorney fees to acquire and to settle disputes concerning this property. A review of this transaction disclosed that the village did not request or obtain an independent appraisal prior to the purchase of property. In addition, the village did not perform a formal review or a cost study of future costs to prepare the property for use as a park or of other property that could have been considered for purchase by the village.

(over)

YELLOW SHEET

The budgets for the years ended June 30, 2002 and 2001, showed only anticipated revenue and expenditure activity. In addition, budgets were not prepared for the Sewer Replacement Fund, the Sewer Reserve Fund, the Fire Department Fund, the Community Developmental Block Grant Fund, and the Fire Department Grant Fund.

The audit also includes some matters related to expenditures, financial statements, ordinances and board meetings, accounting records and procedures, restricted revenues, and property records, upon which the village should consider and take appropriate corrective action.

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VILLAGE OF JACKSONVILLE, MISSOURI

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Mayor
and
Board of Trustees
Village of Jacksonville, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the village of Jacksonville, Missouri. The scope of our audit of the village included, but was not necessarily limited to, the year ended June 30, 2001. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.
2. Review compliance with certain legal provisions.
3. Review certain management practices.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents and interviewed various personnel of the village.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the village's management and was not subjected to the procedures applied in the audit of the village.

The accompanying Management Advisory Report presents our findings arising from our audit of the village of Jacksonville, Missouri.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill
State Auditor

March 15, 2002 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

VILLAGE OF JACKSONVILLE, MISSOURI
MANAGEMENT ADVISORY REPORT
STATE AUDITOR'S FINDINGS

1. Community Development Block Grant (CDBG)

The village was awarded federal assistance totaling approximately \$559,000 from the Department of Economic Development (DED) under the CDBG program for the rehabilitation of houses and improvement of the village's street drainage system in August 1999. The village contracted with a grant administrating agency for \$35,000 to administer this project. Bids were solicited by the grant administrating agency for each of the thirty one houses totaling \$438,800 and the drainage improvement project totaling \$67,300. Contractors were required to submit an estimated cost sheet detailing their bid for each house. A private inspector, who was also solicited by bid through the grant administrating agency, performed weekly inspections of the project. The private inspector was paid \$16,400. Each contractor submitted requests for funds to the grant administrating agency. The inspector and the Mayor were required to approve each request for funds. The DED would then approve the requests for funds, transfer the funds to the village, and the village would issue a check to the contractor. If additional work was estimated on a house, an additional estimated cost sheet or change order would be submitted and approved by the grant administrating agency and the DED. Eleven change orders totaling \$22,899 were submitted. During the time period February 2000 through January 2002, the village has received grant awards totaling \$329,712 and has disbursed funds totaling \$327,915. During our review of this grant, we noted the following:

1. The village nor the grant administrating agency required invoices to be submitted to support payments to each contractor. Both the village and the grant administrating agency relied solely on the estimated cost sheets prepared by the contractor. We contacted three contractors involved in the house rehabilitation project to obtain invoices for our review. One contractor indicated invoices were maintained; however, he was not able to provide them for our review; the second contractor indicated invoices were not prepared; and the final contractor is no longer in business. All expenditures should be supported by paid receipts or vendor-provided invoices to ensure all expenditures are valid and to help ensure each rehabilitation project is being completed in the most cost effective manner and the quality of work performed by the contractor is completed in a satisfactory manner.
2. The village paid additional costs totaling \$7,600 including approximately \$1,000 in additional inspection fees due to disputes concerning the quality of the work performed on two of the house rehabilitation projects. The DED approved the hiring of a second inspector to perform inspections on the houses in question and to determine if additional work was needed. In addition, an official from the DED

accompanied the second inspector during the monitoring visits. These additional expenses may have been avoided with proper planning and supervision by the grant administrating agency and the village.

3. The Mayor was paid \$500 on May 21, 2001 to serve as a drainage supervisor. The Board of Trustees indicated that the CDBG required a member of the board to perform the duties of a drainage supervisor; however, the grant administrating agency and the DED indicated that this was not required by the grant. In addition, the Mayor was paid from the General Fund rather than the CDBG Fund. This service was not bid and supporting documentation was not maintained to support this payment. This payment also represents a potential violation of state law. Section 105.454, RSMo 2000, prohibits financial transactions between a village and an officer or employee (or spouse, dependent child, or business and corporate interest of the officer or employee) of the village that involved more than \$1,500 per year or \$500 per transaction unless there had been public notice to solicit proposals and (except for real property) competitive bidding, provided that the bid or offer was the lowest received.
4. OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires a single audit to be performed in any year the village expends federal awards exceeding \$300,000. Although the village only expended \$205,773 and \$129,370 in 2001 and 2000, respectively, due to the above concerns the village should consider contacting the DED and obtaining a single audit.

WE RECOMMEND the Board of Trustees should require invoices to be submitted with all request for funds, and should refrain from entering into business transactions with village officials unless such services are properly bid in accordance with state law. In addition, the board should consider contacting the DED and obtaining a single audit.

AUDITEE'S RESPONSE

The Board of Trustees indicated that they relied on the grant agency to administer the grant and to ensure all supporting documentation was provided and quality contractors were obtained. The Mayor indicated he was pressured into these duties and would pay back the \$500. The board indicated they would contact DED and consider the cost effectiveness of obtaining a single audit.

2.

Real Estate Transactions

- A. The Board of Trustees issued temporary use permits for land owned by the village to both a citizen and a member of the board in September 2001. The citizen planned to use the land in a new business, and the board member's garage was located on the permitted land. The Board of Trustees did not obtain a legal opinion to support their decision. Ordinance section 21-101 indicates a temporary

use permit was granted to each individual and their heirs for the use of the property for as long as the individual and their heirs owned the adjoining property. The member of the board abstained from voting on this ordinance.

These temporary use permits appear to violate the Missouri Constitution. Article VI, Section 23, of the Missouri Constitution indicates no political subdivision is allowed to grant public money or things of value to or in aid of any corporation, association or individual, except as provided in the constitution. Also, by granting the use of the property to the individuals and their heirs, it appears that the village gave a permanent grant of public property rather than one for temporary use.

In addition, the individuals are using the property in for-profit ventures and are paying no rent to the village nor did the village receive anything of value in exchange for the village's granting of the temporary use permit. By not obtaining adequate compensation for the properties, the village did not perform their duties to the taxpayers to not allow the use of village property for a private purpose without adequate compensation.

B. In December 2001, the village purchased seven and a half acres of railroad property for \$5,000 to be used by the village for park activities. The village also incurred \$1,200 for a survey and \$2,277 in attorney fees to acquire and to settle disputes concerning this property. A review of this transaction disclosed the following concerns:

1. The village did not request or obtain an independent appraisal prior to the purchase of property. Good business practice requires that major real estate purchases be formally and independently appraised to ensure a reasonable price is paid.
2. The village did not perform a formal review or a cost study of future costs to prepare the property for use as a park or of other property that could have been considered for purchase by the village. A formal review or cost study should be performed and documented at the time of purchase to support the village's decision making process.

WE RECOMMEND the Board of Trustees:

- A. Consult legal counsel regarding the issuance of the temporary use permits.
- B. Obtain an independent appraisal of any property purchased in the future. In addition, the village should ensure a formal review or cost study is prepared and documented for all significant purchases.

AUDITEE'S RESPONSE

The Board of Trustees indicated:

- A. *Legal counsel has been contacted for an opinion regarding this issue.*
- B. *An appraisal will be obtained for future real estate purchases, and a formal review or cost study of costs to prepare the railroad property for a park will be performed.*

3.

Expenditures

- A. The village does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. The Village Treasurer indicated the board normally requires purchases over \$500 to be bid. During the past year, bids were either not solicited or bid documentation was not retained in some instances. The village purchased sewer management services for \$4,260, gravel for \$3,124, and used pagers for \$675 without soliciting bids.

Formal bidding procedures for purchases would provide a framework for economical management of village resources and help ensure the village receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the village's business. Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

- B. The board's review and approval of expenditures is not adequately documented. The board does not indicate approval on the invoices.

Expenditures made from village funds should be reviewed and approved by the Board of Trustees before payment is made to ensure all disbursements represent valid operating costs of the village. In addition, to adequately document the board's review and approval of all disbursements, a complete and detailed listing of bills should be prepared, signed or initialed by the trustees to denote their approval, and retained with the official minutes.

- C. Receipt of goods or services is not always indicated on the invoice prior to an expenditure being approved for payment, and the invoices are not always canceled upon payment. In addition, the village paid \$4,260 for sewer management services and \$3,000 for asphalt without obtaining supporting documentation. The Board of Trustees did not obtain any documentation for sewer management services performed or the asphalt received. To ensure that

goods and services have been properly received by the village, all invoices and other supporting documentation should be properly initialed or signed by a village board member upon receipt, and to ensure against duplicate payment of bills, invoices should be marked paid when a check has been issued by the village. In addition, all expenditures should be supported by paid receipts or vendor-provided invoices. Such documentation is necessary to ensure purchases are valid and necessary expenditures of village funds.

- D. Form 1099-Miscellaneous was not prepared by the village for mowing service payments made during 2001 totaling \$675. Section 6041 and 6051 of the Internal Revenue Code require payments of at least \$600 or more in one year to an individual for professional services or for services performed as a trade or business by nonemployees (other than corporations) be reported to the federal government on Form 1099.
- E. The village does not have formal written agreements with several companies or individuals providing sewer management, engineering, and legal services.

Section 432.070, RSMo 2000, requires political subdivisions' contracts be in writing. Formal written agreements are necessary to document each party's duties and responsibilities.

- F. The village does not maintain mileage or maintenance logs for any of the vehicles and equipment owned by the village. Several officials and contracted individuals use these village assets. Mileage logs are necessary to document appropriate use of the vehicles and to support gasoline charges. The mileage and maintenance logs should include the purpose and destination of each trip, the daily beginning and ending odometer readings, and the operation and maintenance costs. These logs should be reviewed by the Board of Trustees to ensure vehicles and equipment are used only for village business, are being properly utilized, and help identify vehicles and equipment which should be replaced. Information on the logs should be reconciled to gasoline purchases and other maintenance charges.

WE RECOMMEND to the Board of Trustees:

- A. Establish formal bidding policies and procedures, including documentation requirements regarding the bids or quotes received and justification for the bid selected.
- B. Review and approve all expenditures of village funds prior to disbursements being made. In addition, the approval of disbursements should be adequately documented by including a listing of all approved disbursements in the board minutes.

- C. Require all invoices be initialed or signed by a board member to indicate acceptance of the goods or services, and all invoices be canceled when paid. In addition, ensure adequate documentation is received and maintained to support all expenditures.
- D. Ensure 1099 forms are issued in accordance with IRS regulations.
- E. Enter into written agreements for all services.
- F. Maintain mileage and maintenance logs for all village vehicles and equipment.

AUDITEE'S RESPONSE

The Board of Trustees indicated:

- A. *A formal bid policy will be established, and documentation of all bids will be retained in the future.*
- B&C. *Invoices or a monthly listing of expenditures will be reviewed and signed off on, and all invoices will be marked paid.*
- D. *The Village Treasurer has subsequently issued an amended Form 1099-Misc to the IRS.*
- E. *This will be done.*
- F. *Mileage and maintenance logs will be prepared.*

4.

Board Meetings and Records

- A. The Board of Trustees frequently hold closed meetings. The open meeting minutes did not always document the specific reasons for closing the meeting and actions taken by the board in closed meetings. In addition, the Board of Trustees did not document how discussing the passing of ordinances and community development block grant business during closed sessions complied with state law.

Section 610.022, RSMo 2000, requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session. In addition, this law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. In addition, Section 610.021, RSMo 2000, allows the board to discuss certain subjects in closed meetings, including litigation, real estate transaction, bid specification, and sealed bids, personnel matters, and confidential or privileged communications with auditors. The board should restrict the discussion in closed sessions to the specific topics listed in Chapter 610 of the state statutes.

- B. The Board of Trustees held a meeting in March 2001 with only two board members present. Section 80.070, RSMo 2000, provides that a majority of the trustees shall constitute a quorum to do business. A quorum should be clearly documented in the meeting minutes with the Board of Trustees votes.
- C. The board minutes are prepared by the Village Clerk, but some minutes were not signed. The board minutes should be signed by the Village Clerk as preparer and by the Mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.
- D. Minutes were not prepared for a February 22, 2000 open meeting. Section 610.020, RSMO 2000, requires a journal or minutes of open meetings shall be taken and retained by the public governmental body. These minutes are to include the date, time, place, members present, members absent and a record of any votes taken.
- E. Village officials indicated that a tentative agenda is prepared and posted for each board meeting; however, the agenda is discarded after each meeting. State law requires all public governmental bodies to give advance notice of meetings either through the news media or posting notice of the meeting. The notice is to include the time, date, and place of the meeting, as well as the tentative agenda. To document compliance, the Village Clerk should document the date, time, and location the notice was posted and retain this with the minutes.
- F. A resolution prepared and signed by the Mayor on September 29, 2001 indicated that video cameras would be prohibited at the board of trustees meetings unless previously approved by the Mayor. In addition, at the November 12, 2001 board meeting, the Board of Trustees approved prohibiting the use of video cameras at their meetings. Attorney General's Opinion No. 151-95 states that a board of trustees does not have the authority to prohibit citizens from videotaping an open meeting in an unobtrusive manner.
- G. The village does not have a formal policy regarding public access to village records. A formal policy regarding access and obtaining copies of village records would establish guidelines for the village to make the records available to the public. This policy should establish a contact person, an address for mailing such requests, and a cost for providing copies of public records.

Section 610.023, RSMo 2000, lists requirements for making village records available to the public. Section 610.026, RSMo 2000, allows the village to charge fees for copying public records, not to exceed the village's actual cost of document search and duplication.

WE RECOMMEND to the Board of Trustees:

- A. Ensure minutes document the vote to go into closed session, state the reasons for going into closed session and publicly disclose the final disposition of applicable matters discussed in closed session. In addition, the board should ensure closed meetings are conducted according to state law.
- B. Ensure all meetings of the Board of Trustees represent a quorum to conduct business.
- C. Ensure minutes are signed by the Village Clerk and the Mayor.
- D. Ensure minutes are maintained for all meetings conducted.
- E. Retain adequate supporting documentation to demonstrate that the board provided proper notice for each of its meetings.
- F. Allow the unobtrusive use of video cameras at open meetings.
- G. Develop written policies regarding procedures to obtain public access to, or copies of, public village records.

AUDITEE'S RESPONSE

The Board of Trustees indicated:

- A. *The reasons for going into closed session will be documented in the future and will ensure minutes clearly document when they reopen the meeting from a closed session to pass ordinances or conduct other business.*
- B. *Although minutes were kept, the board did not believe this was a board meeting.*
- C. *It tries to do this and will ensure minutes are signed in the future.*
- D. *Community/village meeting minutes will be maintained in the future.*
- E. *Agendas will be retained in the future.*
- F. *Video cameras will be allowed in the future; however, they would like consideration and respect from the citizens concerning this issue.*
- G. *The ordinances will be updated for this issue.*

5.**Budgeting, Planning, and Published Financial Statements**

- A. The budgets for the years ended June 30, 2002 and 2001, did not include a budget message, actual (or estimated for the years not yet ended) revenues and expenditures for the two preceding budget years, or the beginning and the estimated ending available resources. The budgets showed only anticipated revenue and expenditure activity. In addition, a budget was not prepared for the Sewer Replacement Fund, the Sewer Reserve Fund, the Fire Department Fund, the Community Developmental Block Grant Fund, and the Fire Department Grant Fund. The Park Fund budget also did not include the activity of the park certificate of deposit, and the General Fund did not include the activity of the tax savings account. Section 67.010, RSMo 2000, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget year.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. A complete budget should include separate revenue and expenditure estimations, and include the beginning available resources and a reasonable estimate of the ending available resources. The budget should also include a budget message and comparisons of actual revenues and expenditures for the two preceding years.

- B. Actual expenditures exceeded budgeted expenditures for the Sewer Fund for the year ended June 2001 by \$2,083. In addition, the board does not monitor actual costs by periodically comparing budgeted amounts to actual expenditures. Section 67.040, RSMO 2000, indicates a political subdivision shall not increase the total amount authorized for expenditure from any fund, unless the governing body adopts a resolution documenting the reasons making the increase necessary and approves or adopts a resolution or ordinance to authorize the expenditures.
- C. The budget for the year ended June 30, 2002 was not approved until August 20, 2001. Section 67.070, RSMo 2000, requires that if a new budget is not adopted by the beginning of the new year then the board should operate under the prior year's budget. To be of maximum benefit to the taxpayers and the village, the budget should be adopted prior to the beginning of the fiscal year.
- D. The village does not publish semiannual financial statements. Section 80.210, RSMo 2000, requires the chairman of the board of trustees to prepare semiannual statements of receipts and disbursements of the village and publish statements in a newspaper printed in the village or post the statements in six of the most public places in the village.

- E. An annual maintenance plan for village streets has not been prepared. A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the streets to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the village residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

WE RECOMMEND the Board of Trustees:

- A. Prepare budgets that contain all information as required by state law.
- B. Periodically compare year-to-date expenditures with budgeted amounts to monitor the village finances and to ensure actual expenditures do not exceed budgeted amounts.
- C. Ensure budgets are prepared timely and in compliance with state law.
- D. Publish semiannual financial statements as required by state law.
- E. Establish formal written policies and procedures regarding public access to village records.

AUDITEE'S RESPONSE

The Board of Trustees indicated they will do all of these in the future.

6.

Ordinances

- A. The village's ordinances are not complete and up-to-date. Our review noted the following:
 - 1. The village maintains a table of contents of ordinances passed by the village; however, several of the ordinances were not included, and the date each ordinance was passed was not always included. In addition, several ordinances have not been signed and/or dated by the Mayor and Village Clerk. Section 79.130 RSMo 2000, states " no bill shall become an ordinance until it shall have been signed by the mayor or person exercising the duties of the mayor's office, or shall have been passed over the mayor's veto."

2. The village has not complied with Village Ordinance, Section 2-77. This ordinance indicates “that no officer or employee of this village shall perform any service for the village or any agency of the village for any consideration other than the compensation provided for the performance of his official duties”; however, during the year ended June 30, 2001, the Mayor was paid \$500 to serve as a drainage supervisor.
3. The village has not complied with Village Ordinance, Section 2-76. This ordinance indicates that all officers and employees shall give bond in an amount as required by board resolution; however, the Board of Trustees has not documented this requirement in a resolution.
4. The village has not adopted ordinances to address the requirements of the sewer bond agreement. The sewer bond agreement requires any remaining moneys derived from the operation of the sewer system to be deposited into the bond reserve account in an amount not less than \$410 annually until the balance is \$4,100. The agreement also requires any remaining moneys to be deposited into the replacement and extension fund until the balance is \$4,100. In addition, the sewer bond agreement requires the village to maintain a sinking fund until the loan is paid off; however, the village is not maintaining this fund.
5. Village Ordinance, 85-1, requires residential users located within the village to pay a monthly sewer fee of \$12; however, most residential users within the village are currently paying a monthly sewer fee of \$15. In addition, this ordinance does not address that the Public Water Supply District Number 1 of Macon County will collect these payments and remit them to the Village Treasurer monthly.
6. The village has not prepared ordinances to document the approved tax levy for each year. Section 94.210, RSMo 2000, states the board of trustees shall fix the annual rate of tax levy by ordinance for each tax year.

Since the ordinances represent legislation passed by the Board of Trustees to govern the village and its residents, it is important that the village ordinances be maintained in a complete, well-organized, and up-to-date manner.

- B. Board minutes do not always clearly indicate the bill number or title or whether the ordinance was read in full or by title two times prior to the vote. On May 7, 2001, the board voted to approve all past and present ordinances. It is apparent that not all ordinances were read in full twice prior to passage. In addition, this blanket approval of all past and present ordinances appears to be a questionable board action. The board also did not obtain advice from their attorney concerning the blanket approval. Section 80.110, RSMo 2000, provides no bill shall become an ordinance unless on its passage a majority of all the members of the Board of Trustees vote and every proposed ordinance shall be introduced in writing and read by title or in full two times prior to passage.

WE RECOMMEND the Board of Trustees:

- A. Ensure a complete and up-to-date set of ordinances is maintained. This would include passing new ordinances where appropriate and required.
- B. Ensure ordinances are clearly identified by number or title and passed according to state law.

AUDITEE'S RESPONSE

The Board of Trustees indicated:

- A. *Ordinances will be updated.*
- B. *The minutes will be clearer in identifying the number or title of ordinances read and approved.*

7. Accounting Controls and Procedures
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The village accepts cash, checks, and money orders for payment of mowing services, property taxes, telephone franchise fees, and other miscellaneous receipts.

- A. The village does not issue prenumbered receipts slips. To account for all receipts and ensure all receipts are deposited, prenumbered receipt slips should be issued for all monies received, reconciled to the composition of monies deposited, and the numerical sequence of receipt slips should be accounted for properly.
- B. Receipts were not deposited intact on a timely basis. Monies generally get deposited about three times a month; however, some monies were held and not deposited for up to two weeks. During a cash count conducted on February 14, 2002, the village Treasurer had \$1083 in checks on hand which had been received on February 8, 2002 and were subsequently deposited on February 20, 2002.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all deposits should be made intact daily or when accumulated receipts exceed \$100.

- C. Checks and money orders received are not restrictively endorsed until the deposit is prepared by the Village Treasurer. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- D. Bank reconciliations are not performed monthly. During the year ending June 30, 2001, the village failed to record several transactions throughout the year such as interest earned in the sewer replacement and reserve accounts. As a result of

monthly bank reconciliations not being performed, these errors went undetected and resulted in the village's records being inaccurate. Monthly bank reconciliations are necessary to ensure the accounting records are in agreement with the bank records and to help detect errors on a timely basis.

In addition, a check totaling \$96 written on the general account has been outstanding for more than one year. Outstanding checks should be periodically reviewed to determine if the payees can be readily located and if there is a need to reissue the checks. If the payees cannot be located, the amount should be disbursed to the state's Unclaimed Property Section as required by Section 447.595, RSMo 2000.

- E. The village maintains ten bank accounts. Except for separate accounts for the Sewer Replacement Fund, the Sewer Reserve Fund, Sewerage System Revenue Fund, the Community Developmental Block Grant Fund, and the Fire Department Grant Fund, it appears that the remaining bank accounts could be consolidated to help simplify the village's records and reduce the number of accounts that must be monitored and controlled.

The village also maintains a separate fire department account into which general funds are transferred to cover the costs of operating the fire department. As a result of the small amount of funds being maintained in the account, insufficient funds service fees totaling \$44 were charged to the village. The village should ensure sufficient funds are maintained in the account or consolidate the account to ensure these fees are not incurred.

In addition, the village maintains substantial funds in non-interest bearing accounts. At June 30, 2001, over \$10,566 was maintained in non-interest bearing accounts. The failure to have funds in interest-bearing accounts results in the loss of revenues. To maximize interest earnings, all funds should be placed in interest-bearing accounts.

- F. The Board of Trustees indicated a monthly financial report is provided by the Village Treasurer at each meeting; however, copies of each report were not retained. The village Treasurer provided copies of approximately six months of financial reports for the year ended June 30, 2001; however, numerous financial errors were noted on the monthly financial reports.

Monthly financial reports are necessary to ensure that all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. In addition, to ensure all revenues and expenditures are accounted for properly, the reports should be reviewed for accuracy by the Board of Trustees. Documentation of these reports should be retained to ensure all transactions are properly approved and to facilitate independent reviews.

- G. Accounting duties are not adequately segregated. The Village Treasurer receives, records, and deposits all receipts and prepares monthly financial reports. Neither the Village Mayor nor other members of the Board of Trustees provide independent reviews of the work performed by the Village Treasurer.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing monies from preparing checks and performing bank reconciliations. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the accounting records maintained.

WE RECOMMEND to the Board of Trustees:

- A. Require prenumbered receipt slips be issued for all monies received, reconcile the composition of monies collected to receipt slips and bank deposits, and ensure the numerical sequence of receipt slips issued is accounted for properly.
- B. Ensure all receipts are deposited intact daily or when accumulated receipts exceed \$100.
- C. Ensure checks and money orders are restrictively endorsed immediately upon receipt.
- D. Ensure bank reconciliations are prepared monthly for all village accounts. In addition, reissue old outstanding checks to any payees who can be located or dispose of these monies through the applicable statutory provisions.
- E. Consider consolidating the village's ten bank accounts. In addition, ensure sufficient funds are maintained in the village accounts, and maintain all funds to the extent possible in interest-bearing accounts.
- F. Ensure monthly financial reports are reviewed for accuracy and are retained.
- G. Provide for an adequate segregation of duties or the performance of independent reviews of the accounting records.

AUDITEE'S RESPONSE

The Board of Trustees indicated:

- A. *Pre-numbered receipt slips will be issued.*
- B. *Deposits will be made weekly.*

- C. *A stamp will be obtained and the Village Treasurer will start endorsing checks immediately upon receipt.*
- D. *The Village Treasurer will start preparing bank reconciliations monthly and will ensure all interest monies are recorded.*
- E. *They will consider consolidating back accounts and ensure insufficient fund service charges are not incurred.*
- F. *Monthly financial reports will be retained and reviewed for accuracy.*
- G. *The accounting records will be reviewed by the board.*

8.	Restricted Revenues
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The village has established a separate accounting system in the General Fund for the state motor vehicle-related revenues and expenditures; however, the village has not established procedures to ensure expenditures are properly allocated among the various funds benefiting from the expenditures and to ensure restricted revenues are expended only for their intended purposes. Article IV, Section 30 of the Missouri Constitution, requires that motor vehicle-related receipts apportioned by the state of Missouri be expended for street-related purposes only including policing, signing, lighting, and cleaning of road and streets. To ensure compliance with the Missouri Constitution, the village should ensure these receipts are used only for the purposes allowed by the constitution.

WE RECOMMEND the Board of Trustees ensure all expenditures are properly allocated to the applicable village funds to ensure compliance with the Missouri Constitution.

AUDITEE’S RESPONSE

The Board of Trustees indicated separate accounting records for street funds will be maintained.

9.	Property Records
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The village does not maintain complete records to account for all property owned by the village. Property records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur. The records should include a detailed description of the assets including the name, make and model numbers, asset identification numbers, the physical location of the assets, and the date and method of disposition of the assets. In addition, all property items should be identified with a tag or other similar device, and the village should conduct annual inventories.

Adequate general fixed asset records are necessary to secure better internal control and safeguard village assets which are susceptible to loss, theft, or misuse, and provide a basis for determining proper insurance coverage required on village property.

WE RECOMMEND the Board of Trustees ensure property records are maintained which include all pertinent information for each asset such as tag number, description, cost, acquisition date, location, and subsequent disposition. Additionally, the village should properly tag, number, or otherwise identify all applicable village property and conduct an annual inventory.

AUDITEE'S RESPONSE

The Board of Trustees indicated property records will be maintained.

This report is intended for the information of the management of the village of Jacksonville, Missouri and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

VILLAGE OF JACKSONVILLE, MISSOURI
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The village of Jacksonville is located in Randolph County. The village was incorporated in 1865. The population of the village in 2000 was 163.

The village government consists of a five member board of trustees including the mayor. The trustees are elected in staggered elections for two-year terms and are appointed to serve as the village clerk, treasurer, park commissioner, and street commissioner. The mayor is elected for a two-year term and presides over the board of trustees. The village officials at June 30, 2001 were:

<u>Elected Officials</u>	<u>Term Expires</u>	<u>Actual Compensation for the Year Ended June 30, 2001</u>
Howard Scott, Mayor (1)	April 2003	\$ 500
Jason Nelson, Village Clerk	April 2002	0
Mary Lee Cochran, Treasurer	April 2003	0
Delbert Merle Woody, Park Commissioner	April 2002	0
Jerry Mulnix, Street Commissioner(2)	April 2003	0

(1) Mark Galland resigned in August 2000. Howard Scott was appointed in August 2000 to fill the position of mayor.

(2) Jerry Mulnix was appointed to fill the vacated position of Howard Scott in October 2000.

The elected and appointed officials are covered by a \$15,000 blanket bond.

Assessed valuation and tax rate information for tax year 2000 are as follows:

ASSESSED VALUATION	
Real estate	\$ 159,210
Personal property	165,550
State Assessed	<u>13,969</u>
Total	<u>\$ 338,729</u>

TAX RATE PER \$100 ASSESSED VALUATION

General Revenue	\$.50
Parks and Recreation	.40
General Revenue – Temporary	.30

A summary of the financial activity for the village of Jacksonville for the year ended June 30, 2001 is presented below:

	General Fund	Sewer Fund	Park Fund	Sewer Replacement Fund	Sewer Reserve Fund	Community Development Block Grant	Fire Department Fund	Total
RECEIPTS:								
Motor fuel and motor vehicle fees	\$ 4,786	0	0	0	0	0	0	4,786
Property taxes	2,539	0	1,270	0	0	0	0	3,809
Electric company taxes	7,545	0	0	0	0	0	0	7,545
Telephone	44	0	0	0	0	0	0	44
Sewer fees	0	12,922	0	0	0	0	0	12,922
Mowing fees	63	0	0	0	0	0	0	63
Interest	237	0	43	85	97	0	0	462
Transfers in	0	0	0	2,800	1,000	0	300	4,100
Community development block grant	0	0	0	0	0	213,181	0	213,181
Other	3,333	0	168	0	0	0	20	3,521
Total Receipts	18,547	12,922	1,481	2,885	1,097	213,181	320	250,433
DISBURSEMENTS:								
Contract labor	500	4,248	0	0	0	0	0	4,748
Supplies	6,827	1,479	1,294	0	0	0	0	9,600
Supplies-street	2,301	0	0	0	0	0	0	2,301
Supplies-fire	1,645	0	0	0	0	0	0	1,645
Bond payments	0	4,402	0	0	0	0	0	4,402
Grants	4,043	0	0	0	0	167,870	0	171,913
Repairs	2,801	0	0	0	0	0	0	2,801
Other	5,645	6	263	0	0	0	294	6,208
Transfers out	1,600	2,500	0	0	0	0	0	4,100
Total Disbursements	25,362	12,635	1,557	0	0	167,870	294	207,718
Receipts Over (under) Disbursements	(6,815)	287	(76)	2,885	1,097	45,311	26	42,715
Cash Balance, July 1	22,489	1,880	4,304	3,862	5,150	1,000	126	38,811
Cash Balance, June 30	\$ 15,674	2,167	4,228	6,747	6,247	46,311	152	81,526
